



Montana  
**Office of Public Instruction**  
Denise Juneau, State Superintendent

Office of Public Instruction  
P.O. Box 202501  
Helena, MT 59620-2501  
406.444.3095  
888.231.9393  
406.444.0169 (TTY)  
opi.mt.gov

March 10, 2016

To: Revenue and Transportation Interim Committee

From: Madalyn Quinlan, Chief of Staff  
Montana Office of Public Instruction

Subject: Impacts of HB 114 in FY 2015

Five school districts reported receiving distributions from tax increment financing districts in FY 2015. These five districts were Anaconda Elementary, Anaconda High School, Bozeman Elementary, Whitefish Elementary, and Whitefish High School.

The districts reported receiving a total of \$1.66 million in TIF distributions in FY 2015. Of this amount, \$602,402 was received prior to the effective date of the legislation or was obligated by contract. The remaining \$1,057,542 was subject to the requirements of HB 114. The chart below shows that, of the \$1,057,542 subject to the requirements of HB 114, \$536,514 (51%) was re-appropriated to reduce property taxes (Anaconda and Whitefish) and \$521,028 (49%) was designated as general fund operating reserves (Bozeman).

| TIF Distributions                                   | Amount      |
|---|-------------|
| Received pre-HB 114 or obligated                    | \$ 602,402  |
| Receipts subject to HB 114                          | \$1,057,542 |
| Total Receipts                                      | \$1,659,944 |
|   |             |
| Use of the Funds                                    |             |
| Re-appropriated in FY 2016 to reduce property taxes | \$536,514   |
| Designated as General Fund Operating Reserve        | \$521,028   |
| Total Allocations                                   | \$1,057,542 |

HB 114 Mike Miller

Revise tax increment finance district remittance laws for schools

Chapter: 405 Effective Date: May 5, 2015

HB 114 requires a school district that receives a remittance from a tax increment financing district to use the remittance to reduce property taxes or to fund the general fund operating reserve. The district must deposit the remittance in one or more of the following funds provided the fund has a mill levy for the school year in which the revenue is received: general fund, bus depreciation reserve fund, debt service fund, building reserve fund, and/or technology acquisition and depreciation fund. The district may not transfer the remittance to any other fund once the monies have been deposited.

If a district deposits a portion of the remittance in the general fund, the monies may be used to reduce either the BASE budget levy or the over-BASE levy in the following year. Under HB 114, the remittance will not reduce the levy authority of a school district in subsequent years. Any portion of a tax increment deposited in the district's general fund is not subject to the 15% fund balance limit established in 20-9-104, MCA.

HB 114 applies to tax increment financing districts created after December 31, 1979. However, a school district that has executed an agreement with a local government before the effective date of HB 114 must prepare a transition plan, which is limited to paying contractual obligations that were incurred prior to the bill's effective date. If the increment was anticipated as a funding source for a contract when the contract was executed, the remittance may be used to pay the contractual obligation. In order to qualify as an obligation, there must be a written signed contract meeting all elements of 28-2-102 between a school district and a third party. Evidence of a contract does not include the listing of a capital project on a list or plan. If the obligation relates to paying bonded indebtedness, a district may utilize the remittance for the life of the bond issue. If the obligation relates to other contracts, a district may utilize the increment to pay for the contracted project until the end of the contract.